IS SUCCESS THE SAME FOR WOMEN AND MEN ENTREPRENEURS? (SUMMARY)

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SUMMARY

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Principal Topic

Nearly half of all businesses in the U.S. are at least equally owned by women, while the number of women-owned enterprises is growing at a faster rate than all employer firms. Yet, the enterprise literature suggests that these women entrepreneurs face greater difficulties in financing than do men entrepreneurs. Research indicates that enterprises primarily owned by women do not perform as well as those primarily owned by men, in terms of failure rates and financial ratios. To explain the growth of enterprises owned by women despite these difficulties, this study suggests that not all women entrepreneurs are equal. Rather than comparing all women entrepreneurs to all men entrepreneurs, this study compares women entrepreneurs who are successful in their financing experiences to similar men counterparts. Whether this financing success also translates to comparative business performance is the focus of this study. This approach also addresses whether similar factors affect the success of both groups of entrepreneurs.

Method

The multivariate regression study uses the cross-sectional sample of U.S. small enterprises from the Federal Reserve Board of Governor's 1998 Survey of Small Business Finances (SSBF). Of the 3,561 enterprises in the 1998 data set, more than one-third are primarily female-owned and nearly two-third are primarily male-owned.

Results and Implications

Preliminary results indicate that primarily women-owned enterprises face different financing outcomes than do primarily men-owned enterprises. Women entrepreneurs choose different financing sources and face greater difficulties in access to financing, but interestingly men entrepreneurs may face worse terms and conditions if financing is granted. Successful women borrowers appear to be more creditworthy than successful men borrowers. Results indicate that such women entrepreneurs experience comparative success in business performance, and that the female under-performance hypothesis is invalid here. Other ownership characteristics and enterprise characteristics are significant in influencing the individual enterprise's financial performance.

This study indicates that researchers need to examine differences not just between women and men entrepreneurs but also among women entrepreneurs to explain the growth of women-owned enterprises and their contribution to the economy. The results also indicate that policymakers need to consider heterogeneity among women entrepreneurs to resolve the debate about gender discrimination and the business and financing outcomes faced by women entrepreneurs.

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